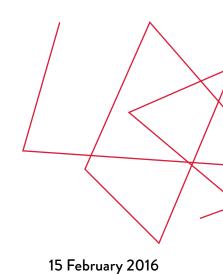


Tax Alert



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ELEVENTH AMENDMENT TO THE BPT REGULATION

This amendment to the BPT regulation amends several sections of the Regulation. The main points of note are:

Election to prepare accounts on cash basis

The threshold of the annual turnover of businesses allowed to elect to prepare their accounts on cash basis has been raised from less than MVR 5 million to less than MVR 10 million. This change will be effective from the tax year 2016 and onwards.

Companies that have commenced winding up process

Companies that commence their winding up process on or before the deadline of an interim payment for a tax year will not be required to make interim payments for that tax year. Furthermore, the company must end their accounting period for that tax year upon commencement of the winding up process and is required to submit a BPT Return and make payment of any tax prior to the submission to the Registrar of Companies as per Section 93 of the Companies act. Prior to this amendment, companies in the process of winding up were required to have an accounting period even after the commencement of the winding up process.

As per the amendment, if the Commissioner General is of the opinion that a company has, or may have a taxable profit in excess of MVR 500,000 in the 12 month period following the commencement of the winding up process of the company, the commissioner has the authority to require the submission of a tax return for that period.

This change to the Regulation allow companies to conclude their accounting period once the winding up process has commenced but such companies should be mindful of maintaining documents in accordance with the Act and Regulation pertinent to all transactions during that period as Commissioner may require payment of additional tax for any transaction that may occur during the winding up period.

Capital allowance disallowed on assets used by directors

This rule considers the capital allowance of business assets used by directors or such other persons specified in Section 11(c)(1) of the BPT Act, as non-monetary remuneration. Thus, the claiming of any capital allowance on such assets are disallowed. Although, as a general rule, nonmonetary benefits are valued at the open market value, the capital allowance considered as nonmonetary remuneration under this rule will be capped at the total capital allowance claimable on that asset.

It is unclear on whether apportionment of capital allowance is allowed on assets which are not solely used for the use of directors and such persons specified in Section 11(c)(1) of the BPT Act.

New rules for deduction of loss in a group of companies

If a company in a group of companies that fulfils the criteria of Section 37(d) of the Regulation, incurs a loss, that loss must now be declared in the BPT return submitted for that year. Moreover, if relief is to be claimed by a profit making company in the group, it must begin deducting the loss in that same year.

CHANGES TO THE SUBMISSION OF FINANCIAL STATEMENTS AND APPOINTMENT OF AUDITORS

Tax Ruling TR-2017/B57 amends the classification of certain businesses, reporting requirements, criteria to be fulfilled by auditors registered with the MIRA. The main points of note are summarised here.

Changes in business size classification

Classification of businesses as amended by this Ruling is as follows:

Classification	Annual turnover (MVR)
Large	>100 m
Medium-sized	≥60 m, but <100 m
Small	≥10 m, but < 60 m
Micro	<10 m

Companies falling under the category of micro businesses and preparing their accounts on accrual basis are not required to submit an Auditors' Report. However, if such a company prepares their accounts on cash basis, the company is also exempt from submitting the Balance Sheet, Cash Flow Statement, Statement of Changes in Equity and an Auditors' Report.

Additional requirements in Auditors Report

The amendment to the regulation introduces the requirement that auditors preparing the report include an opinion on whether the adequate internal controls are in place and whether records are maintained in accordance with the tax laws.

ABOUT US

CTL Strategies LLP is a firm specialised in providing tax and legal advisory services to businesses. Our tax advisory services include tax related business planning, tax compliance reviews, managing tax audits and controversies, and local and international tax planning.

Tax disputes are the mainstay of our practice and our tax disputes team, comprising of tax attorneys and MIRA licensed tax agents, can represent and assist you in tax audits and investigations by the MIRA, filing tax objections, filing appeals with the Tax Appeal Tribunal and at every stage of tax controversies.

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